

MALACHITE RESOURCES NL
HALF-YEAR CONDENSED FINANCIAL REPORT

31 DECEMBER 2005

ABN 86 075 613 268

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2005.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Dr GG Lowder (Executive Chairman)

Mr RM Meares (Executive Director)

Mr WJ Staude (Non-Executive Director)

Mr PW Hopkins (Non-Executive Director)

Mr DM O'Neill (Non-Executive Director)

REVIEW AND RESULTS OF OPERATIONS

The net result of operations after applicable income tax expense for the half-year was a loss of \$201,829 (2004 - \$580,837).

The principal continuing activity of the Company is the acquisition of mineral tenements, mineral exploration and investment principally in eastern Australia. During the half-year Malachite continued to explore its tenements which are located in New South Wales, Tasmania and Queensland.

FINANCIAL

The company made the following share issues during the half year:

Issue of 7,640,585 shares at 10 cents pursuant to a non-renounceable rights issue raising \$764,059.

Issue of 5,529,000 shares at 10 cents pursuant to a share placement raising \$552,900.

The funds raised are being used to provide working capital to continue project generation and project enhancement.

SUBSEQUENT EVENTS

Since the end of the financial period, \$758,500 has been raised through a further placement of 7,585,000 shares at 10 cents. No other event has occurred subsequent to 31 December 2005 requiring disclosure in, or amendment to, these financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached.

Signed at Sydney this 15th day of March 2006 in accordance with a resolution of the directors.



Director

Auditor's Independence Declaration

As lead auditor for the review of Malachite Resources NL for the half year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Malachite Resources NL and the entities it controlled during the period.



Marc Upcroft

Partner
PricewaterhouseCoopers

Sydney
15 March 2006

CONSOLIDATED INCOME STATEMENT

Half-year ended 31 December 2005

	Half Year 2005	Half Year 2004
	\$	\$
REVENUE FROM ORDINARY ACTIVITIES	201,913	8,503
Administration costs	(72,609)	(77,998)
Listing and other regulatory fees	(28,451)	(18,686)
Depreciation expense	(8,735)	(11,271)
Employee benefits expense	(166,505)	(171,582)
Exploration written off	(80,148)	(214,045)
Net loss on revaluation of investments	-	(45,000)
Office rent	(29,036)	(28,190)
Other expenses from ordinary activities	(18,260)	(22,568)
Loss before income tax expense	(201,829)	(580,837)
Income tax expense	-	-
Loss for the half-year	(201,829)	(580,837)

The above statements should be read in conjunction with accompanying notes.

Basic loss per share (cents per share)	(.34)	(1.29)
Diluted loss per share (cents per share)	(.34)	(1.29)

CONSOLIDATED BALANCE SHEET

at 31 December 2005

	Note	31-Dec-05 \$	30-Jun-05 \$
CURRENT ASSETS			
Cash and cash equivalents		589,126	379,740
Receivables		137,140	115,090
Investments at fair value through profit or loss		191,250	252,000
Other		20,640	25,400
TOTAL CURRENT ASSETS		938,156	772,230
NON-CURRENT ASSETS			
Receivables		127,500	127,500
Property, plant and equipment		75,921	84,657
Available-for-sale financial assets		110,500	117,000
Deferred exploration and evaluation expenditure	3	4,729,029	3,889,500
TOTAL NON-CURRENT ASSETS		5,042,951	4,218,657
TOTAL ASSETS		5,981,106	4,990,887
CURRENT LIABILITIES			
Payables		129,729	195,389
Provisions		50,727	55,671
TOTAL CURRENT LIABILITIES		180,456	251,060
NON-CURRENT LIABILITIES			
Provisions		105,554	97,991
TOTAL NON-CURRENT LIABILITIES		105,554	97,991
TOTAL LIABILITIES		286,010	349,051
NET ASSETS		5,695,096	4,641,836
EQUITY			
Contributed equity	4	10,141,184	8,886,093
Option Expense Reserve		23,946	23,946
Accumulated losses		(4,470,034)	(4,268,203)
TOTAL EQUITY		5,695,096	4,641,836

The above statements should be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Half-year ended 31 December 2005

	31-Dec 2005 \$	31-Dec 2004 \$
Total equity at the beginning of the half-year	<u>4,641,834</u>	<u>4,815,326</u>
Adjustment on adoption of AIFRS relating to the 2004 year		
Current year expenses recognised directly in equity		
Share based payments	-	18,365
Investments	-	(45,000)
Net expenses recognised directly in equity	-	(26,635)
Loss for the half-year	<u>(201,829)</u>	<u>(580,837)</u>
Total recognised income and expense for the year	<u>(201,829)</u>	<u>(580,837)</u>
Transactions with equity holders in their capacity as equity holders		
Contributions of equity, net of transaction costs	<u>1,255,091</u>	<u>401,572</u>
	<u>1,255,091</u>	<u>401,572</u>
Total equity at the end of the half-year	<u>5,695,096</u>	<u>4,609,426</u>
Total recognised income and expense for the half-year attributable to members of Malachite Resources NL	<u>(201,829)</u>	<u>(580,837)</u>
	<u>(201,829)</u>	<u>(580,837)</u>

The above statements should be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

Half-year ended 31 December 2005

	Half Year 2005 \$	Half Year 2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	12,782	-
Payment to suppliers and employees (inclusive of GST)	(164,519)	(346,262)
Interest received	13,631	8,504
Expenditure on mining interests (exploration) (inclusive of GST)	(1,149,673)	(361,307)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	<u>(1,287,780)</u>	<u>(699,065)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	<u>242,075</u>	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>242,075</u>	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,316,957	406,000
Equity raising expenses	(61,868)	(4,900)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>1,255,091</u>	<u>401,100</u>
NET INCREASE (DECREASE) IN CASH HELD	209,386	(297,965)
Add opening cash brought forward	<u>379,740</u>	<u>529,921</u>
CLOSING CASH AND CASH EQUIVALENTS	<u>589,126</u>	<u>231,956</u>

The above statements should be read in conjunction with accompanying notes.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2005

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This general purpose financial report for the interim half year reporting period ended 31 December 2005 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by Malachite Resources NL during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(a) Basis of accounting

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards.

This interim financial report is the first Malachite Resources NL interim financial report to be prepared in accordance with AIFRSs. AASB 1 First Time adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial Statements of Malachite Resources NL until 30 June 2005 had been prepared in accordance with previous Australian Generally accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Malachite Resources NL interim financial report for the half year ended 31 December 2005, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statement to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are give in note 9.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Going concern basis

The financial statements have been prepared on the going concern basis. The ultimate recoupment of costs carried forward for exploration and evaluation is dependent upon the successful

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2005

development and commercial exploitation or sale of the respective areas of interest. The Directors remain confident that the entity will continue to raise funds for its exploration and development activities.

(b) Investments and other financial assets

From 1 July 2004 to 30 June 2005

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 30 June 2005.

From 1 July 2005

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Assets in this category are classified as current assets if they are either held for trading or are expected to be released within 12 months of the balance sheet date.

(c) Employee Benefits

Share-based payments

Share-based compensation benefits are provided to employees via the Malachite Resources NL Employee Option Plan and an employee share scheme.

Shares options granted before 7 November 2002 and/or vested before 1 January 2005.

No expense is recognized in respect of these options. The shares are recognized when the options are exercised and the proceeds received allocated to share capital.

Shares options granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted under the Malachite Resources NL Employee Option Plan is recognized as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognized over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

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The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognized as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(d) Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred as accumulated in respect of each identifiable area of interest. These costs are only carried forward where there is current activity and rights of tenure, to the extent that they are expected to be recouped through the successful development of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off, in full, in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2005

	31-Dec-05	31-Dec-04
2. REVENUE FROM ORDINARY ACTIVITIES	\$	\$
Interest received – other persons/corporations	13,631	8,504
Operator management fees	<u>12,782</u>	-
	26,413	<u>8,504</u>
<i>Other revenue</i>		
Profit on sale of investments	69,500	-
Gain on revaluation of investments	<u>106,000</u>	-
	<u>201,913</u>	<u>8,504</u>

3. NON-CURRENT ASSETS – OTHER

Deferred exploration and evaluation expenditure

	31-Dec-05	31-Dec-04
	\$	\$
Expenditure brought forward at 1 July	3,889,500	3,830,347
Expenditure incurred during the half-year	1,045,155	361,307
Expenditure written off during the half-year	(80,147)	(214,045)
Expenditure reimbursed during the half-year (non-cash)	(125,479)	(573,000)
Expenditure carried forward	<u>4,729,029</u>	<u>3,404,609</u>

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2005

4. ISSUED CAPITAL

The company made the following share issues during the half year:

Issue of 7,640,585 shares at 10 cents pursuant to a non-renounceable rights issue raising \$764,059.

Issue of 5,529,000 shares at 10 cents pursuant to a share placement raising \$552,900.

This brings the total shares on issue at 31 December 2005 to 67,248,065 (2004: 46,964,065) shares.

The funds raised are being used to provide working capital to continue project generation and project enhancement.

5. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no change of any contingent liabilities or contingent assets.

6. SEGMENT INFORMATION

The Company operates predominantly in the one business segment and in one geographical area, namely Australian mineral exploration and evaluation.

7. SUBSEQUENT EVENTS

Since the end of the financial period, \$758,500 has been raised through a further placement of 7,585,000 shares at 10 cents.

No other event has occurred subsequent to 31 December 2005 requiring disclosure in, or amendment to, these financial statements.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2005

8. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSS

1. Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS).

(a) At the date of transition to AIFRS: 1 July 2004

	Note	Previous AGAAP	Effect of transition to AIFRS	AIFRS
		\$	\$	\$
ASSETS				
Current assets				
Cash and cash equivalents		529,921	-	529,921
Receivables		73,033	-	73,033
Other current assets		18,395	-	18,395
Total current assets		<u>621,349</u>	<u>-</u>	<u>621,349</u>
Non-current assets				
Receivables		137,500	-	137,500
Deferred exploration and evaluation expenditure		3,830,347	-	3,830,347
Property, plant and equipment		107,197	-	107,197
Available-for-sale financial assets	(b)	<u>300,000</u>	<u>(45,000)</u>	<u>255,000</u>
Total non-current assets		<u>4,375,044</u>	<u>(45,000)</u>	<u>4,330,044</u>
Total assets		<u>4,996,393</u>	<u>(45,000)</u>	<u>4,951,393</u>
LIABILITIES				
Current liabilities				
Payables		112,815	-	112,815
Provisions		<u>68,252</u>	<u>-</u>	<u>68,252</u>
Total current liabilities		<u>181,067</u>	<u>-</u>	<u>181,067</u>
Total liabilities		<u>181,067</u>	<u>-</u>	<u>181,067</u>
Net assets		<u>4,815,326</u>	<u>(45,000)</u>	<u>4,770,326</u>
EQUITY				
Contributed equity		7,655,297	-	7,655,297
Retained earnings	(c)	<u>(2,839,971)</u>	<u>(45,000)</u>	<u>(2,884,971)</u>
Total equity		<u>4,815,326</u>	<u>(45,000)</u>	<u>4,770,326</u>

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2005

8. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSS

(b) At the end of the last half-year reporting period under previous AGAAP: 31 December 2004

	Note	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
ASSETS				
Current assets				
Cash and cash equivalents		231,956	-	231,956
Receivables		58,259	-	58,259
Other current assets		19,785	-	19,785
Total current assets		<u>310,000</u>	<u>-</u>	<u>310,000</u>
Non-current assets				
Receivables		155,955	-	155,955
Property, plant and equipment		95,926	-	95,926
Available-for-sale financial assets	(b)	873,000	(90,000)	783,000
Deferred exploration and evaluation expenditure		3,404,609	-	3,404,609
Total non-current assets		<u>4,529,490</u>	<u>(90,000)</u>	<u>4,439,490</u>
Total assets		<u>4,839,490</u>	<u>(90,000)</u>	<u>4,749,490</u>
LIABILITIES				
Current liabilities				
Payables		76,109	-	76,109
Provisions		63,955	-	63,955
Total current liabilities		<u>140,064</u>	<u>-</u>	<u>140,064</u>
Total liabilities		<u>140,064</u>	<u>-</u>	<u>140,064</u>
Net assets		<u>4,699,426</u>	<u>(90,000)</u>	<u>4,609,426</u>
EQUITY				
Contributed equity		8,056,397	-	8,056,397
Option Expense Reserve	(a)	-	18,365	18,365
Retained earnings	(c)	(3,356,971)	(108,365)	(3,465,336)
Total equity		<u>4,699,426</u>	<u>(90,000)</u>	<u>4,609,426</u>

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2005

8. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSS

(c) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Note	Previous AGAAP	Effect of transition to AIFRS	AIFRS
		\$	\$	\$
ASSETS				
Current assets				
Cash and cash equivalents		379,740	-	379,740
Receivables		115,090	-	115,090
Investments at fair value through the profit or loss	(b)	264,000	(12,000)	252,000
Other current assets		25,400	-	25,400
Total current assets		<u>784,230</u>	<u>(12,000)</u>	<u>772,230</u>
Non-current assets				
Receivables		127,500	-	127,500
Property, plant and equipment		84,657	-	84,657
Available-for-sale financial assets	(b)	260,000	(143,000)	117,000
Deferred exploration and evaluation expenditure		3,889,500	-	3,889,500
Total non-current assets		<u>4,361,657</u>	<u>(143,000)</u>	<u>4,218,657</u>
Total assets		<u>5,145,887</u>	<u>(155,000)</u>	<u>4,990,887</u>
LIABILITIES				
Current liabilities				
Payables		195,389	-	195,389
Provisions		55,671	-	55,671
Total current liabilities		<u>251,060</u>	<u>-</u>	<u>251,060</u>
Non-current liabilities				
Provisions		97,991	-	97,991
Total non-current liabilities		<u>97,991</u>	<u>-</u>	<u>97,991</u>
Total liabilities		<u>349,051</u>	<u>-</u>	<u>349,051</u>
Net assets		<u>4,796,836</u>	<u>(155,000)</u>	<u>4,641,836</u>
EQUITY				
Contributed equity		8,886,093	-	8,886,093
Option Expense Reserve	(a)	-	23,946	23,946
Retained earnings	(c)	(4,089,257)	(178,946)	(4,268,203)
Total equity		<u>4,796,836</u>	<u>(155,000)</u>	<u>4,641,836</u>

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2005

8. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSS

2. Reconciliation of profit/(loss) for the half-year ended 31 December 2004

	Previous AGAAP	Effect of transition to AIFRS	AIFRS
	\$	\$	\$
Revenue from ordinary activities	8,503	-	8,503
Administration expense	(77,998)	-	(77,998)
Depreciation expense	(11,271)	-	(11,271)
Employee benefits expenses	(153,217)	(18,365)	(171,582)
Listing and other regulatory fees	(18,686)	-	(18,686)
Occupancy expense	(28,190)	-	(28,190)
Exploration expenses written off	(214,045)	-	(214,045)
Other expenses from ordinary activities	(22,568)	(45,000)	(67,568)
Net loss for half-year before income tax expense	<u>(517,472)</u>	<u>(63,365)</u>	<u>(580,837)</u>
Income tax expense	-	-	-
Net loss for half-year	<u><u>(517,472)</u></u>	<u><u>(63,365)</u></u>	<u><u>(580,837)</u></u>

Reconciliation of profit/(loss) for year ended 30 June 2005

	Previous AGAAP	Effect of transition to AIFRS	AIFRS
	\$	\$	\$
Revenue from ordinary activities	28,120		28,120
Administration expense	(157,532)		(157,532)
Depreciation expense	(22,540)	-	(22,540)
Employee benefits expenses	(438,570)	(23,946)	(462,516)
Listing and other regulatory fees	(39,605)	-	(39,605)
Occupancy expense	(56,406)	-	(56,406)
Exploration expenses written off	(418,421)	-	(418,421)
Other expenses from ordinary activities	(69,389)	-	(69,389)
Write down of current investments to market value	(74,943)	(110,000)	(184,943)
Net loss for half-year before income tax expense	<u>(1,249,286)</u>	<u>(133,946)</u>	<u>(1,383,232)</u>
Income tax expense	-	-	-
Net loss for half-year	<u><u>(1,249,286)</u></u>	<u><u>(133,946)</u></u>	<u><u>(1,383,232)</u></u>

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2005

8. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSS

3. Notes to the reconciliation

(a) *Share-based payments*

Under AASB 2 *Share-based Payment* from 1 July 2004 the Group is required to recognise an expense for those options that were issued to employees under the Malachite Resources NL Option Plan after 7 November 2002 but that had not vested by 1 January 2005. The effect of this is:

(i) At 1 July 2004

For the group there has been no change to retained earnings.

(ii) At 31 December 2004

For the group there has been a decrease in retained earnings of \$18,365 and a corresponding increase in reserves.

(iii) At 30 June 2005

For the group there has been a further decrease in retained earnings of \$5,581 and a corresponding increase in reserves.

(iv) For the half-year ended 31 December 2004

For the group there has been an increase in employee benefits expense of \$18,365.

(v) For the year ended 30 June 2005

For the group there has been an increase in employee benefits expense of \$23,946.

(b) *Investments*

As a result of applying AIFRS, investments have been classified as "financial assets at fair value through profit or loss" and "available-for-sale financial assets". The effect of this is:

i) At 1 July 2004

For the group there has been a decrease in retained earnings of \$45,000 and a corresponding decrease in investments.

ii) At 31 December 2004

For the group there has been a further decrease in retained earnings of \$45,000 and a corresponding decrease in investments.

(iii) At 30 June 2005

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2005

8. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSS

For the group there has been a decrease in retained earnings of \$110,000 and a corresponding decrease in investments.

(iv) For the half-year ended 31 December 2004

For the group there has been an increase in loss on share revaluation expense of \$45,000.

(v) For the year ended 30 June 2005

For the group there has been an increase in loss on share revaluation expense of \$110,000.

(c) *Retained earnings*

The effect on retained earnings of the changes set out above are as follows:

		1-Jul-04	31-Dec-04	30-Jun-05
		\$	\$	\$
	Note			
Share-based payments	(a)	-	(18,365)	(23,946)
Investments	(b)	(45,000)	(90,000)	(155,000)
Total adjustment		<u>(45,000)</u>	<u>(108,365)</u>	<u>(178,946)</u>

DIRECTORS' DECLARATION

31 December 2005

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes of the Company, set out in pages 4 to 18:

- (a) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001 and other mandatory professional reporting standards; and
- (b) give a true and fair view of the Company's financial position as at 31 December 2005 and the performance as represented by the results of its operations and its cash flows, for the half-year ended on that date; and

In the opinion of the directors:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

This declaration is made in accordance with a resolution of the directors

On behalf of the Board,



Director
Sydney, 15th March 2006

Independent review report to the members of Malachite Resources NL

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Malachite Resources NL:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Malachite Resources NL Group as at 31 December 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the Malachite Resources NL Group (the consolidated entity), for the half-year ended 31 December 2005. The consolidated entity comprises both Malachite Resources NL (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its

performance as represented by the results of its operations, changes in equity and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel/the responsible entity's personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.


PricewaterhouseCoopers


Marc Upcroft
Partner

15 March Sydney
2006